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EDITORIALS

Time for pension reform

Mayor David Cicilline is right to rally Providence leaders to reform the city's pension system, which is drowning in red ink. The question is, will it be too little, too late, to head off massive economic problems?

Mr. Cicilline called for new employees to be shifted to a 401(k) program, and to raise the minimum age at which city employees can retire to 55. These changes would require concessions from the public-employee unions.

At present, in some positions, a city employee who came to work at age 20 could retire at 40, and collect 50 percent of his or her salary each year — with annual "cost-of-living" increases well above the rate of inflation that could leave him earning more than he did while working.

Unfortunately, the mayor's proposed reforms — even if enacted (a big "if") — would still leave the city in big trouble.

Providence is now putting aside $50 million a year to help pay existing pensions, but that is not nearly enough to cover the skyrocketing costs of those benefits. Unless drastic reforms are undertaken, the city's taxpayers will have to pay an estimated $160 million a year by 2030 just to keep the system running. That's about $925 from the pocket of *every* man, woman and child in the city *per year* — and much, much more per property taxpayer. Who could afford that, plus the cost of all other city services?

The mayor's idea of trying to borrow his way out of some of the pension debt is less admirable. New Jersey tried to do that, with disastrous results. Former Cranston Mayor John O'Leary proposed a similar plan, and the General Assembly wisely balked. Such borrowing might work well if stocks consistently climbed in value; but the market can have its sharp ups and downs, and, for that matter, markets can stay depressed for more than a decade. A downturn could plunge Providence into truly dire debt.

Still, Mr. Cicilline is right to seek reforms, and none too soon. Everyone with a stake in the city — including union employees — must realize that Providence cannot go on the way it has. The system is no longer sustainable, either by Providence or state taxpayers, who pick up a good chunk of the city's government costs.

And speaking of the state, Governor Carcieri and legislative leaders should be clamoring for a similar transformation to a 401(k) system for state employees. Many of the people paying Rhode Island's high taxes have already had to accept such a change in their work places. Public employees have enormous political muscle at the State House and city halls, but there are limits.

It is unfair to compel taxpayers to fund gold-plated pensions that are far beyond anything they can afford or obtain for themselves. Some balance is desperately needed. Ultimately, the state cannot survive economically by overtaxing private-sector employees to enrich public-sector ones.